

INDUSTRY UPDATE

Biweekly Period Ending August 10, 2002

Phoenix Metro Area

Construction

Due to sagging revenue collections, **Mari-copa County** has **put on hold** plans to build a **high-rise office complex** at 7th Avenue and Jefferson Street. The \$141 million **Plaza de Maricopa**, which included a 23-story administrative building and three other structures (for an auditorium, credit union, and conference facilities) would have **housed hundreds of county employees**. The county, which must find additional space for workers in the meantime, will need to decide whether to scale down or delay plans for the project, purchase another building, or continue to rent space in several locations.

Local developer **DMB Associates** is combining efforts with national developer **Rouse Co.** on a 160-acre **mixed-use project** in **north Scottsdale** (Loop 101 and Scottsdale Road), which will sit across the freeway from a luxury auto-mall, power center (Scottsdale 101), and potentially a regional mall in northeast Phoenix. DMB and Rouse will pool their resources to develop as much as **2 million square feet of retail and office space, 1,200 residential units**, and **maybe a hotel** on a site called the **Stacked 40s**. If plans are approved by Scottsdale, construction is likely to begin in 2004.

Finance, Insurance, and Real Estate

An **Internet-based mortgage company** will **open a western regional operations center in Tempe** (1524 W. 14th St.) by **mid-September** that will initially **hire 50 customer service, sales, and admin-**

istrative workers, then add another 25 employees later this year or early 2003. Worcester, Mass.-based **eSourceMortgage** — which has seen its business skyrocket due to declining interest rates — handles applications for mortgages over the Web, by telephone, or in person. Most of the initial employees, who will earn between \$55,000 and \$75,000 annually in salary and commissions, have already been hired, according to an article in the *East Valley Tribune*. But eSourceMortgage said it is still taking applications for future openings at its Web site: esourcemortgages.com.

While the mortgage business has been hot due to falling interest rates, the stock market business has been lousy due to falling stock prices. And a casualty of that decline has been brokerage companies, such as San Francisco-based **Charles Schwab Corp.**, which announced in early August it will further **cut its worldwide workforce**. In 2001, Schwab cut its overall employment by 25 percent, including several hundred workers in the Phoenix metro area. Although no specifics have been given, it's likely the number of Schwab employees in the Valley (around 6,000) will be reduced.

Transportation, Communications, and Public Utilities

Williams Gateway Airport in east Mesa is "ramping up" its plan to **become a full-service transportation center**. Beginning in October, the **U.S. Customs Service** will **open an office** at the former Air Force base, which became a private enterprise after the base was decommissioned in the mid-'90s due to cutbacks in defense spending. In conjunction with

the Customs Office, **work** will also **begin** in September on a **250,000-square-foot platform** to **service cargo planes** from across the world. Also, Williams, which has 180,000 noncommercial landings and takeoffs a year, is putting out feelers to airlines interested in starting commercial service. Currently, more than 20 aviation companies operate on the facility, and the city of Mesa is hoping the airport will turn into an employment center much like Scottsdale Airpark.

Trade

A real estate transaction involving a majority of the Valley's shopping centers was completed in late July, while a two-year-old east Valley shopping center changed hands in early August. Santa Monica, Calif.-based **Macerich Co.** finished its **purchase** of Phoenix-based **Westcor Realty**, which owns or has an interest in eight regional malls and numerous power centers in the Phoenix metro area and Arizona. The nearly \$1.5 billion transaction will have **no immediate impact** on **existing shopping centers** or those under development (Scottsdale 101 in north-east Scottsdale and Gilbert Crossroads), as Westcor will continue to manage the properties. Most of **Westcor's employees** are **expected** to be **retained**. ... Colorado-based **Diamante Investments** **purchased** the 80,000-square-foot **Gilbert Crossings Shopping Center** (Guadalupe and Gilbert roads) from PDG America of Phoenix. The \$10.6 million property includes tenants Bally's Total Fittenss, Community Bank of Arizona, and Papa John's Pizza.

Among retail trade highlights in the past few weeks: **Barnes & Noble** announced plans to **open** a 23,000-square-foot **store** at the **Palm Valley Pavilions** in **Good-year** (Litchfield Road and Interstate 10) next April. The national chain, which operates 600 Barnes & Noble and 300 B.

Dalton Bookseller stores, gave no information about expected employment ... **Details on one of eight department stores planned** for the Valley by national retailer **Kohl's** were revealed recently. The Milwaukee, Wis.-based discount retailer, which features clothes and home products, wants to build an **89,000-square-foot store** on 30 acres in **Chandler** (Arizona Avenue and San Tan Freeway) that will **employ 170 people**. Pending approval by the city of Chandler, the store is expected to **open in October 2003** ... Development of a **500,000-square-foot Glendale power center** (59th and Northern avenues) has **stalled** for unknown reasons. Redevelopment of the site of the former Mainstee Town Center, which was demolished in 2001, was expected to begin by December 2002. But disputes between the city and developer Steve Ellmann over design and tenants have prevented work from beginning on the project.

Services

Two existing Valley call centers plan to **expand their operations** — one in the near future and the other over the next several years. **The Aftermarket Co.**, which already employs 800 at two facilities in Phoenix, expects to **hire 100 workers** for a 33,400-square-foot **facility in Mesa** (1960 E. Main St.) **by September**, with the possibility of adding 300 more workers down the line. The Phoenix-based company primarily handles calls for infomercial companies that advertise on TV (e.g., Ronco). Interested candidates can e-mail a resume to careers@theaftermarketcompany.com or fax a resume to (602) 470-2501. ... The city of **Chandler** has given **approval** to a Dallas-based **car-financing business** that wants to **consolidate and expand** its **Valley operations** at a three-story, 157,000-square-foot building in Chandler (Price and Germann roads). **AmeriCredit**, the nation's

largest independent, middle-market car financing company, expects to **move 600 employees in Tempe** to the new facility by late 2003 or early 2004. AmeriCredit then expects to **hire an additional 400 workers within 18 months** after the relocation.

Beauty and cleanliness would seem to be synonymous, so it's only proper that a new 70,000-square-foot building being built on property that used to be owned by a beauty products company will become home to a business that promotes cleanliness. **Angelica Textile** of St. Louis will **open a laundry facility in west Phoenix** (43rd Avenue and Buckeye Road) to **clean garments** used by **health-care facilities** (e.g., hospitals, clinics) in early 2003 that is expected to **employ about 100**. The building sits on six acres adjoining the former 890,000-square-foot Revlon plant. The empty property and Revlon plant (now renamed Metro South Corporate Park) were sold in 2001 for \$5.2 million to a group of Phoenix investors called MSCP LLC.

On the opposite end of the spectrum, there are businesses that "clean up" on trash. And the **nation's two largest waste-disposal companies** now **have corporate offices** in trendy **Scottsdale**, of all places. The nation's second-largest waste-management company, Scottsdale-based **Allied Waste**, recently released its 2nd quarter 2002 earnings statement showing strong net income growth, despite falling hauling prices and a heavy debt load. Allied reported for the first six months of 2002, \$2.7 billion in revenue and \$104.3 million in net income, compared to \$2.7 billion in revenue and \$34.7 million in net income during the same period in 2001. Meanwhile, **Waste Management**, the nation's largest waste-disposal company, recently moved its **western regional office** to Scottsdale from San Rafael, Calif. The Houston-based

company **moved 35 corporate employees** into a 23,000-square-foot office (7025 N. Scottsdale Road), with room to add 15 more. The Valley is one of Waste Management's largest territories with about 500 employees handling refuse.

Government

The federal government held a job fair in late July to fill **500 security screener positions** at **Phoenix Sky Harbor International Airport**. As mandated by new legislation, the U.S. Transportation Security Administration will complete the transition from private to government screeners by Nov. 19, 2002. Applicants must be U.S. citizens, at least 18 years old, have no felony convictions, and pass a drug test. Although many of the positions at Sky Harbor have likely been filled, **applicants can still check about openings** locally or at other airports in the state or nation by calling 1-877-631-JOBS (5627). As of Aug. 13, the agency had hired approximately 13,200 screeners out of about 30,000 needed.

Tucson Metro Area

Manufacturing

Despite recent awards of \$250 million in defense contracts, **Raytheon Missile Systems may still** be in line for **layoffs**. After the Bush Administration and Defense Department announced in January the cancellation of the Standard Missile-2 Block IVA program and that two other missile programs were being scaled back, Massachusetts-based Raytheon said that 400 of 5,000 engineers at Tucson's facility would be laid off. About **one-half** of that target number **has been let go**, but Raytheon hasn't made a decision on the other half, a company spokesman told the *Tucson Citizen*.

Transportation, Communications, and Public Utilities

Frontier Airlines announced in early August it will **begin non-stop service** between Tucson and **Denver**, the airline's home base. **City of Tucson officials** are hoping Frontier's first non-stop service to Denver since 1986 — and the second airline offering non-stop service to Denver (United is the other) — will **lead to increased economic development activity**, possibly the movement or expansion of Denver-based companies to the Tucson area. Frontier's decision was sparked by a meeting with Tucson officials at an airline industry conference in May in Vancouver, British Columbia. The city met with three other airlines, but no details of those meetings are available.

Trade

It was recently reported that **several retail businesses** in **northwest Tucson** will be either **opening or under construction** in the near future. A 55,000-square-foot **Albertson's/Osco** store currently under construction in Oro Valley (Rooney Ranch Center and North Oracle Road) is expected to **open in early 2003 employing between 100 and 150 workers**. The dual grocery/pharmacy store will be Albertson's 23rd grocery store or drug store in the Tucson metro area. ... Work on the Tucson area's first **Krispy Kreme** location (Oracle Road and Auto Mall Drive) has been **delayed several months** while waiting for building permits, but franchisee Rigel Corp. said the 4,500-square-foot doughnut shop should be **completed by the end of the year**. A second Krispy Kreme at El Con Mall is still in the development phase ... Finally, a new **skating rink and car wash** are **opening in Marana** in Decem-

ber. The 24,800-square-foot **Arizona Skate Center** (3970 W. Ina Road) will be the second location for owner Steve Gabany, who owns Skate Country North in central Tucson. An 11,400-square-foot car wash, called **On Ina 2**, will open down the street from the skate center at the same time.

Stantec Consulting Inc., a Canadian-based engineering and architectural firm with 3,500 employees in North America and the Caribbean, has **moved into** the first phase of the **Rio Nuevo Professional Plaza** in downtown Tucson (Bonita Avenue and Commerce Park Loop). Stantec, which employs 100 at its Tucson office, was project engineer on the 30,800-square-foot building. Developer **Diamond Ventures** is **looking for a major occupant** for the office **project's second phase**, a 46,200-square-foot building. The office buildings are part of the downtown revitalization project known as **Rio Nuevo**, that through a **public-private partnership** will create a variety of **housing, retail, entertainment/restaurant, and office development** over the next 10 years (see earlier issues of *Industry Update* for more information).

Services

Tucson Medical Center (TMC) is looking for a **new site** for a **hospital and medical complex**, after concerns that a location near Davis-Monthan Air Force Base could jeopardize the air base's future viability. Davis-Monthan, which employs 9,500 military and civilian workers and has a \$1 billion economic impact on the metro area, had complained that the two projects on a five-acre parcel near the base (Old Vail and Houghton roads) would have interfered with landings and takeoffs. Despite the decision, **TMC** still

plans to open a 7,000-square-foot **doctors' office complex** and **urgent-care center** at the same location later **this year**.

Balance of State

Manufacturing

Nestle-Purina has **begun work** on a new 100,000-square-foot **warehouse**, which will sit adjacent to its 400,000-square-foot pet food manufacturing operation **in Flagstaff** (Industrial Boulevard east of Flagstaff Mall). Nestle-Purina, which currently employs about 150 workers in Flagstaff, will likely **add more personnel** at its northern Arizona operations leading up to and after the **facility's completion in spring 2003**. The warehouse — which is being built with the help of \$1 million in tax incentives from the city of Flagstaff — will be used to ship pet food products to locations throughout Arizona, California, and Nevada.

North Star Steel, which recently paid a \$5 million fine to the Arizona Department of Environmental Quality for air-quality violations, said it plans to **keep open** its construction rebar **milling operations in Kingman** through at least November. Along with analyzing the profitability of its milling operation, North Star and its parent company, Cargill, are **evaluating** whether to **re-open Kingman's steel smelter**, which closed in summer 2000 due to high electric rates, causing the lay-off of nearly 200 workers. In order to re-open the smelter, North Star, which currently employs 120 workers in Kingman, would need to modify its furnace to meet air-quality standards. The St. Paul, Minn.-based company has seven other U.S. plants.

Yuma dairyman **Hein Hettinga** expects to **open a new dairy** (Gila Bend) and **processing plant** (Yuma) in September 2002 and March 2003, respectively. The **dairy**, which will be based at Paloma Ranch, is expected to **employ about 30 full-time workers**; the **processing plant**, which will make products other than milk, will **employ about 50 full-time workers**. Hettinga owns one other dairy and processing plant, both located in Yuma.

A small **maker of cosmetic creams and hormone therapy products** has **moved to Snowflake** from Virginia, bringing with it five employees with plans to **hire another five** within a year. **International Research and Development Corp.** was started by a former Defense Department official with a background in chemistry and physics. For more information on the company, visit its Web site: www.irdcorp.com.

Mining

Phoenix-based **Phelps Dodge Corp.** said it expects to begin **construction** on an **open-pit mine** near **Safford** within the next **couple of years**. Once the environmental-permitting process with the Bureau of Land Management has been completed (which has already taken eight years), Phelps Dodge said the mine could produce 250 million pounds of copper annually and **employ between 350 and 400 workers**, plus **100 contract workers** for various other services. The proposed mine, which would have two open pits with an expected lifetime of 16 years, would use an electro-winning process that leaches out the copper with sulfuric acid.

Construction

The **Yuma City Council** has **approved rezoning** of 61 acres of **farm land** (24th

Street and Avenue C) for a **series of projects**, including **multi-family housing, a shopping center, and a church**. Valley Baptist Church purchased 7.5 acres for a future church, and Villa Serena Housing has bought 6 acres for a tax-subsidized housing project. No other details were made available.

Trade

Plans by a California developer to spend \$40 million to **upgrade Yuma's oldest mall** have been **dropped**, while the **owner** of two Tucson malls has **purchased** the **Mall at Sierra Vista**. Craig Clark said he was unable to get the cooperation of one of the three major department stores at Yuma's 275,000-square-foot Southgate Mall, which was built in 1973 and received a facelift in 1993 (see June 1, 2002, *Industry Update*). Clark had wanted to expand the department stores and add a number of new restaurants and retailers. ... **General Growth Properties** has acquired Sierra Vista's only mall as part of a \$1.1 billion deal involving 18 regional malls and shopping centers. The Chicago-based real estate company, which has recently renovated and expanded Park Place and Tucson Mall in Tucson, wants to **develop six empty lots** around the 330,000-square-foot, 35-store property. Potential projects include restaurants and other multi-use projects.

Services

The **U.S. Indian Health Service** opened a **new** 240,000-square-foot full-service **hospital** on the **Navajo Nation** in early August that offers state-of-the-art technology (digital X-ray machine, computerized patient records), along with 38 inpatient beds, a 20-bed youth psychiatric unit, and

a 24-chair dental clinic. The \$94 million **Fort Defiance Indian Hospital**, which will serve nearly 30,000 Navajos and members of other Indian tribes in north-east Arizona and a portion of New Mexico, will **employ** more than **twice as many people** (750 vs. 350) than the 65-year-old hospital it is replacing. Later this year, **work** will **begin** on a **193-unit housing project** that will offer living space for the increased staff.

INDUSTRY UPDATE

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